

Message Text

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ACTION IO-14

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TAGS: UNGA, ECOSOC, IBRD, FIN

SUBJ: RESUMED 55TH ECOSOC: REPORTS OF WORLD BANK GROUP
(ITEM 2)

1. SUMMARY: PRESIDENT MCNAMARA PRESENTED LENGTHY STATEMENT ON BANK'S DEVELOPMENT STRATEGY (BEING POUCHED SEPARATELY) IN CONNECTION WITH COUNCIL CONSIDERATION ANNUAL REPORTS OF WORLD BANK/IDA AND IFC. STATEMENT CLOSELY PARALLELED HIS RECENT ADDRESS TO NAIROBI MEETING. FOLLOWING HIS PRESENTATION, INTERVENTIONS MADE BY SOME 20 MEMBERS, INCLUDING PRC (REPORTED SEPARATELY), BRAZIL, JAPAN AND US (REPORTED SEPTTEL.) AT END OF DAY MCNAMARA MADE BRIEF REPLIES TO QUESTIONS THAT HAD BEEN RAISED AND OFFERED TO CONTRIBUTE TO MID-TERM REVIEW OF INTERNATIONAL DEVDPLOPMENT STRATEGY. END SUMMARY.

2. MCNAMARA ON OCT 15 REVIEWWED PROGRESS OF BANK'S FIRST FIVE YEAR PROGRAM AND NOTED THAT IT ET ALL TARGETS SET IN 1968, I.E., DOUBLED WORLD WIDE LENDING; THREEFOLD INCREASE IN AFRICA OPERATIONS; TRIPLED LENDING TO LEAST DEVELOPED COUNTRIES; TRIPLED LENDING FOR EDUCATION AND QUADRUPLED LENDING FOR AGRICULTURE. IN ADDITION, THE
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BANK HAS BEGUN OPERATIONS IN POPULATION SECTOR. THE

BANK HAS ESTABLISHED EFFECTIVE COOPERATIVE ARRANGEMENTS WITH UNDP, FAO, UNESCO, WHO AND UNIDO.

3. THE SECOND FIVE YEAR PROGRAM (FY 74-78) WILL RESPOND TO LDCS THREE MAJOR INTERRELATED DIFFICULTIES: INSUFFICIENT FOREIGN EXCHANGE FROM TRADE; INCREASINGLY SEVERE BURDEN OF EXTERNAL DEBT AND INADEQUATE FLOW OF OFFICIAL DEVELOPMENT ASSISTANCE. THUS, THE BANK PLANS TO EXPAND BOTH IBRD AND IDA LENDING AT A CUMULATIVE ANNUAL RATE, IN REAL TERMS, OF 8 PERCENT. FOR THE FIVE YEAR PERIOD THROUGH FY 78, LENDING SHOULD TOTAL \$22 BILLION FOR ALMOST 1,000 PROJECTS. TOTAL COST OF PROJECTS WILL APPROACH \$55 BILLION. THIS WOULD BE 40 PERCENT INCREASE OF COMMITMENTS IN REAL TERMS OVER PREVIOUS FIVE YEAR PLAN AND 175 PERCENT INCREASE OVER 64-68 PERIOD.

3. MCNAMARA STRESSED IMPORTANCE OF REORIENTING DEVELOPMENT POLICY IN MORE OPERATIONAL AND SOCIALLY-ORIENTED TERMS, RATHER THAN EXCLUSIVELY IN TERMS OF GROWTH OF GNP. HE GAVE DETAILS ON WORK IN SAHEL AND WITH UNDP ON PROJECT TO ELIMINATE RIVER-BLINDNESS ON EDGE OF SAHEL ZONE. HE ALSO EMPHASIZED LDCS NEED TO MOVE IN DIRECTION OF REDISTRIBUTION OF BENEFITS OF ECONOMIC GROWTH TOWARD POOR.

4. HE APPLAUDED EFFORTS OF FAO DIRECTOR GENERAL TO ORGANIZE PROGRAM OF NATIONAL FOOD RESERVES AND WILL RECOMMEND TO BANK'S EXECUTIVE DIRECTORS THAT BANK PARTICIPATE IN ITS FINANCING. MCNAMARA ALSO INDICATED STRONG SUPPORT FOR A WORLD FOOD CONFERENCE AS PROPOSED BY SECRETARY KISSINGER AND PLEDGED THE BANK'S ASSISTANCE AS APPROPRIATE.

5. MCNAMARA DEVOTED CONSIDERABLE ATTENTION TO A STRATEGY FOR RURAL DEVELOPMENT. HE BELIEVES A FEASIBLE GOAL WOULD BE TO INCREASE PRODUCTION ON SMALL FARMS SO THAT BY 1985 OUTPUT WILL GROW BY 5 PERCENT PER YEAR. THIS WILL REQUIRE: ACCELERATED LAND AND TENURE REFORM; BETTER ACCESS TO CREDIT; INCREASED AVAILABILITY

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OF WATER; EXPANDED AGRICULTURAL RESEARCH AND NEW FORMS OF RURAL INSTITUTIONS.

6. IN SUMMARY HE NOTED THAT A HIGH DEGREE OF INEQUALITY EXISTS NOT ONLY BETWEEN DCs AND LDCs BUT WITHIN THE DEVELOPING NATIONS THEMSELVES. A MINIMUM OBJECTIVE SHOULD BE THAT DISTORTION IN AN INCOME DISTRIBUTION WITHIN THESE NATIONS SHOULD AT LEAST STOP INCREASING

BY 1975, AND BEGIN TO NARROW WITHIN THE LAST HALF OF THE DECADE.

7. BRAZIL REP (BRITO) REFERRED TO "THOUGHT-PROVOKING" ADDRESS BY MCNAMARA, ALTHOUGH HE COULD NOT AGREE WITH ALL POINTS. HE REPEATED WELL-KNOWN BRAZILIAN VIEW THAT DEVELOPEMENT AID MUST BE OF HELP TO ALL DEVELOPING COUNTRIES, REGARDLESS OF STAGE OF DEVELOPMENT. DISTRIBUTION OF NATIONAL INCOME NOT ONLY ANSWER TO DEVELOPMENT. HIS DELEGATION APPLAUDED RESULTS OF BANK'S FIRST FIVE YEAR PROGRAM.

8. JAPAN (OGISO) NOTED WITH SATISFACTION SUCCESS OF FIVE YEAR PLAN AND CALLED FOR POSITIVIE REPONSE TO THE FOURTH REPLENISHMENT OF IDA. JAPAN'S SHARE OF \$4.5 BILLION WILL BE 11 PERCENT, I.E., \$495 MILLION, AND WILL ELEVATE JAPAN TO FOURTH PLACE ON LIST OF DONORS. HE ALSO REFERRED TO DEVELOPMENT OF NATURAL RESOURCES AS A POSSIBLE NEW AREA FOR BANK ACTIVITY. HE ASKED MCNAMARA FOR PRELIMINARY VIEW ON REVOLVING FUND. HE SPECIFCALLY ASKED IF BANK WOULD PARTICIPATE WITH UNDP ON BASIS OF ECOSOC RESOLUTION. MCNAMARA REPLIED THAT HE RECONGIZES THAT IMMENSE PRESSURE ON NATURAL RESOURCES AS RESULT OF AFFLUENCE AND POPULATION GROWTH IS A SERIOUS PROBLEM. HE ADDED THAT A POLICY PAPER ON SUBJECT IS BEING PREPARED FOR CONSIDERATION OF DIRECTOS IN DECEMBER AND HE DOES NOT WANT TO PREEMPT ITS CONCLUSIONS.

9. US (FERGUSON) MADE INTERVENTION ALONG LINES DEPT INSTRUCTIONS WHICH ARE REPORTED IN FULL IN SEPTEL.

10. OTHER DEVELOPING COUNTRIES GENERALLY PRAISED MCNAMARA STATEMENT IN GLOWING TERMS, PARTICULARLY HIS UNCLASSIFIED

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REPORT ON ACHIEVING TARGETS OF INCREASED LENDING AND HIS CRITICAL REMARKS ABOUT DEVELOPED COUNTRIES FALLING FOR SHORT OF INT'L DEVELOPMENT STRATEGY TARGETS FOR OFFICIAL DEVELOPMENT ASSISTANCE.

1. SOVIETS INTRODUCED SOUR NOTE WITH DOCRINAL CRITICISM THAT BANK ASSISTS CAPITALIST COUNTRIES AND MONOPOLIES TO INTERFERE IN DEVELOPING COUNTRIES, AND THAT BANK WAS INCREASING THEIR DEBT BURDEN WITH HIGH RATE OF INTEREST (7-1/4 PERCENT). DID NOT SUPPORT PRC CRITICISMS ABOUT "CHIANG KAI-SHEK CLIQUE MEMBERSHIP" IN BANK ALTHOUGH PAKISTAN AND SUDAN DID.

12. AT END OF DAY MCNAMARA MADE SUMMARY STATEMENT AND REPLY TO QUESTIONS. HE REPORTED THAT AT NAIROBI IT WAS

AGREED THAT THERE WOULD BE FOURTH REPLENISHMENT OF IDA
AT RATE OF \$1.5 BILLION A YEAR FOR THREE YEARS, BUT THAT
HE DID NOT EXPECT THE LEGISLATIVE APPROVALS TO BE
COMPLETED BY NEXT JUNE. HE SAID TERMINATING PROGRAM WOULD
HAVE A DEVASTATING RESULT, AND THAT BANK WOULD PREPA
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